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San Diego: An Office Profile

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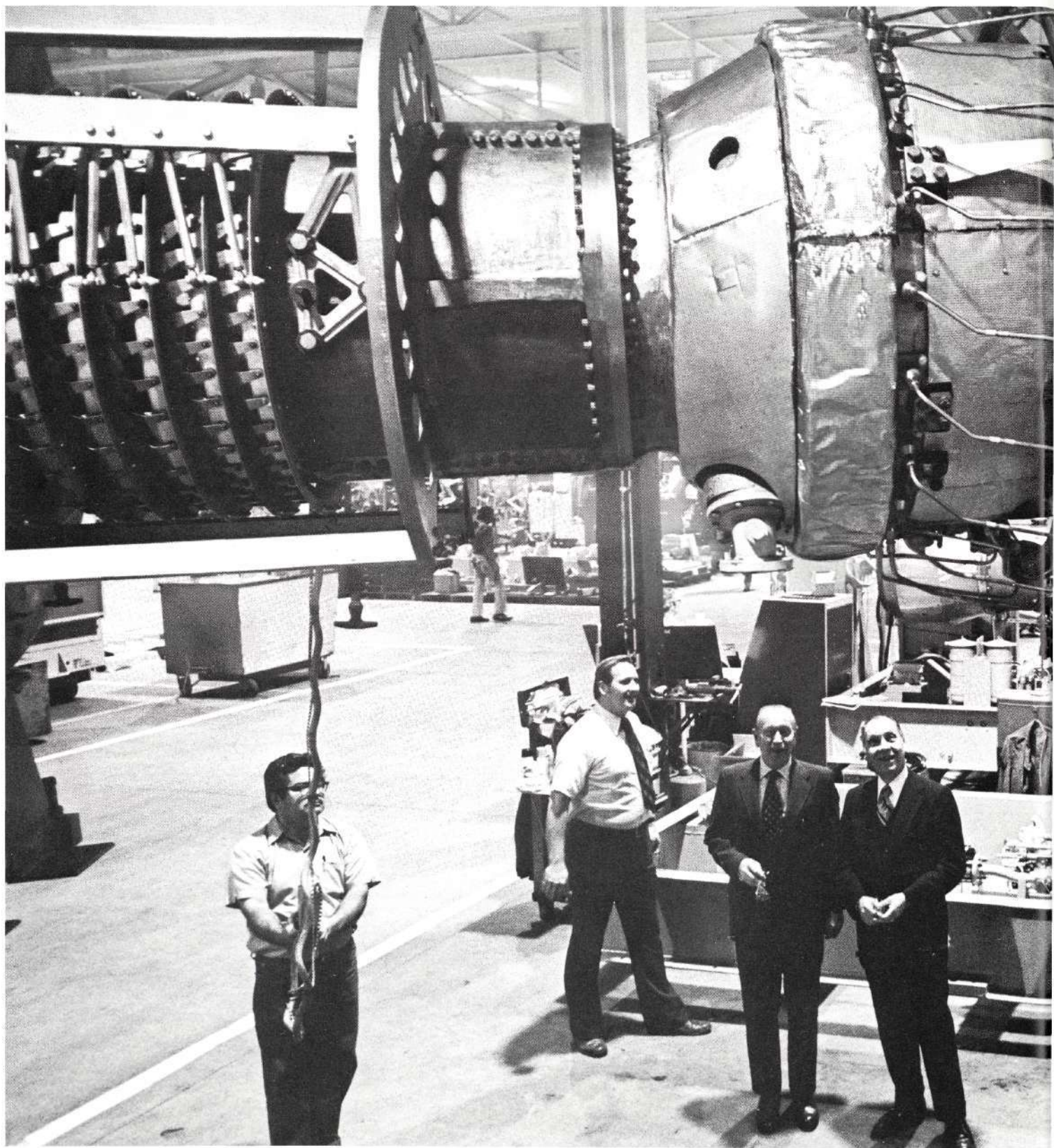
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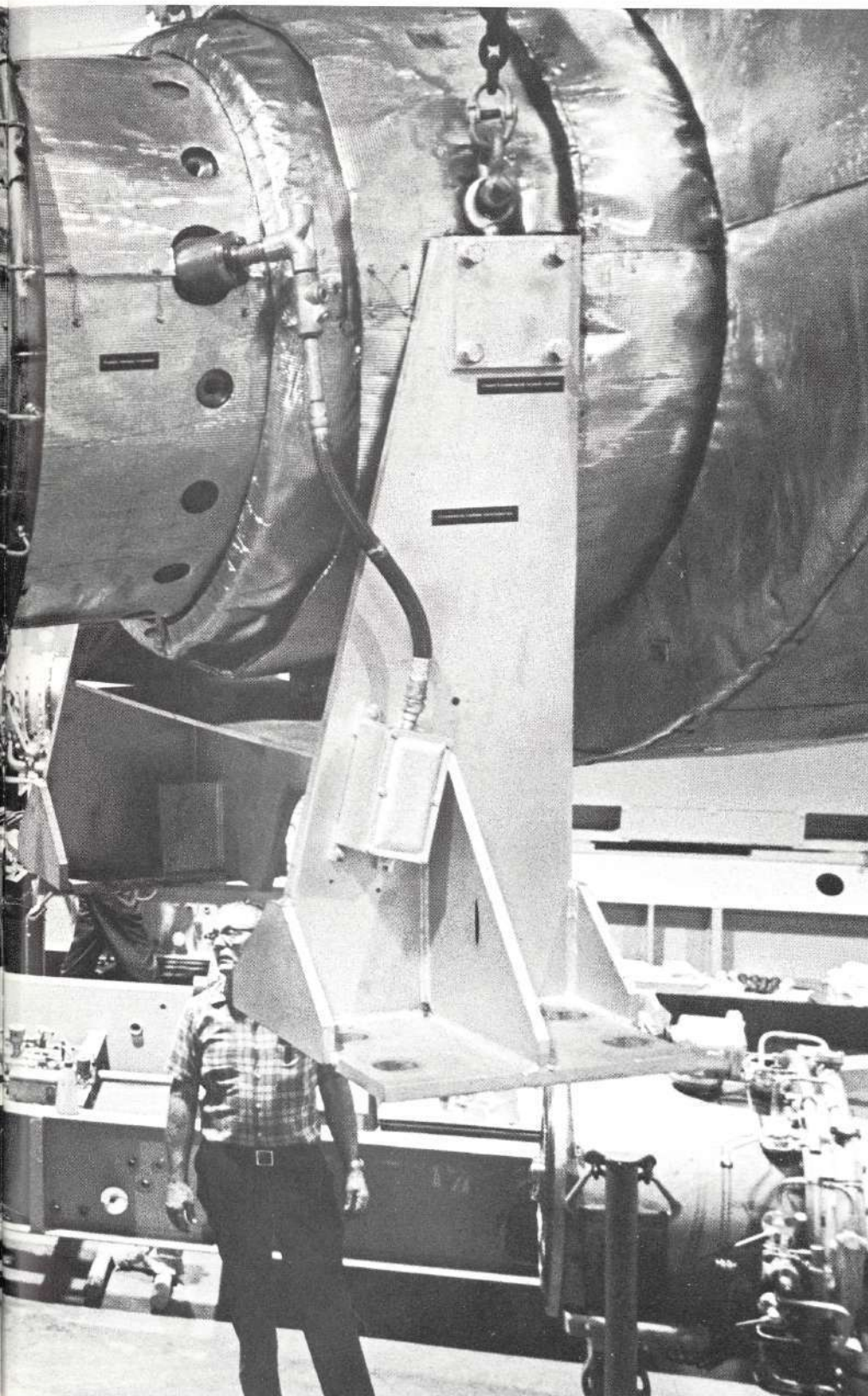
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SAN DIEGO



Building a Solid Base for Future Growth



From December through February you can stand on the highlands of Point Loma, a few minutes from downtown San Diego, and watch the gray whales passing on their annual winter migration from the Arctic Ocean to the quiet lagoons of Baja California, where they mate and bear their young.

In December, often with the temperature warm enough so that not even a sweater is needed, visitors and sailors crowd the Embarcadero, the city's well-known wharf section, where the docks are buried beneath mountains of nets ready for loading on the country's largest fleet of tuna boats, swift-running purse seiners that, beginning in January, range the Pacific as far south as the coast of Peru.

On any day you can turn back the clock by visiting the *Star of India*, an iron-hulled, square-rigged merchant vessel launched in 1863, which sailed around the world twenty-three times before being retired in 1923 and which would have been scrapped but for a San Diego group that bought and restored her. From the deck of the *Star of India*, standing under the towering masts, the spars and rigging, you can look across San Diego Bay at some of the most modern and impressive elements of the Navy's Pacific Fleet, including the huge Forrestal-class carriers.

Dick Grupp (l.), vice president for finance of the Solar Turbines International group of International Harvester Company, and Virgil Pedersen (r.), H&S partner in charge in San Diego, watch as Mars gas turbine is lifted off bed. Supervising the lifting of the 12,000-pound unit is Don Garvin (in shirtsleeves), general foreman. The Mars turbine, designed to burn natural gas or a variety of other fuels, is capable of generating 10,800 horsepower when installed. It is the largest unit in the company's extensive line.



Touring watercolor exhibition in the Central Federal Tower Building are (r. to l.) H&S partner Ron Burgess; Morley R. Golden, president of M.H. Golden Company; Vina Saycocie, H&S audit staff; and audit senior Doug Griffin. Located in downtown San Diego, Central Federal Tower was built by M.H. Golden Company, a major general contractor.

From the eleventh-floor office of Virgil Pedersen, partner in charge of the H&S office in San Diego, you can watch the ship traffic in the bay, admire the heights of Point Loma and the beautiful sweep of the San Diego-Coronado Bay Bridge connecting San Diego with the resort community of Coronado, and see Mexico some sixteen miles to the south.

Virgil, a Montanan by birth, joined Haskins & Sells in Chicago in 1946 following his discharge from the Army, where he had served during the Second World War as a combat infantry captain in the European theater and was awarded the Silver Star and the Purple Heart. Transferring to San Diego in 1959 from our Buffalo office, Virgil was admitted to the Firm the following year and was San Diego's tax partner until being named partner in charge of the office in 1964.

For Virgil, the dominating factors of climate and location that give the city its unique character have shaped our prac-

tice there, just as the economy of San Diego has been forged by long-term pressures—such as a growing population—impinging on strong stabilizing influences.

"The Navy's installation here in San Diego is the largest in the country and contributes some \$2 billion a year to the economy," Virgil pointed out. "This is an enormous amount for a city of this size and, not being affected by the normal ups and downs of business cycles, the Navy's presence tends to act as a strong stabilizing influence on the city's economy."

In addition to the naval base, nearby military installations include the large naval air station at Miramar and Camp Pendleton, the huge Marine Corps training center located at the northwestern corner of San Diego County. (The dimensions of size and distance are perceived differently in the west than in the east. San Diego County alone is larger than the State of Connecticut.)

Good Relations With Military

"We work hard at maintaining good relations with the military," Virgil said, "because San Diego recognizes the military's importance to the financial base and prosperity of San Diego. We've made the Navy feel at home here; there are several civic organizations devoted to promoting harmony between the

armed forces and the civilian population. The result has been a lack of the friction often found in cities with large military installations nearby."

Another important contributor to the economy is the tuna fleet and two large canneries, a \$500-million-a-year industry. Tourism ranks second or third, depending on how you want to add up the figures. Mexican citizens spend some one billion dollars a year in San Diego, mostly for retail goods, while officials estimate that on an average day there are approximately 130,000 visitors in the city.

"Our climate is one of the reasons San Diego is so popular," Virgil said. "Rainfall averages about ten inches a year, and the climate is considered the most equable in the country, with the temperature averaging 68° in the summer and 57° in the winter."

Robert E. Parsley (r.), controller for San Diego Gas & Electric Company, and H&S partner Ron Burgess tour site of the San Onofre Nuclear Generating Plant, currently undergoing a major expansion. Dome in background, one of two being built to house the nuclear reactors, has walls of concrete and steel twelve feet thick and is 172 feet high. The new facilities are expected to be completed by 1981 and 1983 and will be additions to a nuclear-powered plant that has been in operation at the site since 1967.





Carol Spencer, receptionist

The strongest pressure experienced in San Diego in recent years has been the influx of new residents. According to Virgil, the city's officials estimate that some 40,000 people will move into the San Diego area every year for the next five to ten years.

"I think we're building a solid base for future growth," he said. "I believe that business follows people more than people follow business. The labor pool we're building here should help to attract new businesses."

The expanding population has spurred a new homebuilding boom in the suburbs outside the city, and several civic organizations have mapped plans for a major redevelopment program for the older downtown section that will see a new marina, shopping center and housing. San Diegans, Inc. is one of these groups. Virgil, on the board of directors and a member of the executive committee, says San Diegans, Inc. "wants San Diego to have the best downtown in the world. We want it to be the center of the city."

Strong Community Spirit

The involvement of professional and business leaders in community activities is one of the city's attractions for Virgil. He recalls that about fifteen years ago it was decided to relocate City Hall and include as part of the City Hall complex a civic center, civic theater and parking garage. "It was found after work had started that the funds allocated would be \$1.5 million short of the

amount actually needed," he said. "Without being asked, ten prominent local citizens stepped forward and contributed \$150,000 each to make up the shortfall. That's the kind of community spirit and involvement you have here in San Diego."

Another reflection of the community's decision to mold and control its future was the decision made years ago to develop both a strong educational system and a health-care industry. "We felt this was vital not only for the obvious advantages of having a top-flight educational system and an outstanding group of research facilities, clinics and hospitals, but also because both these types of operations are stable and provide steady employment for everyone from college professors, doctors, researchers and lab technicians to secretaries and maintenance people. If the planning is done properly, these institutions can provide long-term employment for thousands and add to the strong economic base of the city and county."

The San Diego area now includes the University of California at San Diego, a major medical school and biological research center; San Diego State University, with a student population of some thirty-five thousand; the University of San Diego; and a very strong community college system.

There has been a parallel development in the health-care field. Indeed, two of the world's most renowned research centers, The Salk Institute for Biological Studies and the Scripps Clinic and Research Foundation, are clients of H&S. In addition, "clean" industry, especially companies producing instrumentation for the medical-research field, has been encouraged to locate in the area.

"San Diego is not rich in natural resources," Virgil noted. "We are an important agricultural county, but we don't have oil, gas, coal or other minerals. The community's decision to encourage the growth of the education and health-care industries, if you can call them that, as contributors to the stability of San Diego County has proved itself in the important roles they've played in the economy."



Bob Weaver (l.), H&S Small Business Services manager, Mary Smalligan, tax senior, and Bob Criswell (r.), SBS senior, stroll past eucalyptus trees found in abundance in and around Rancho Santa Fe. The San Diego suboffice located in Rancho Santa Fe, a wealthy private community north of San Diego, provides H&S with close proximity to new businesses being opened in the expanding suburban communities.



A Positive Position on Tax

The San Diego practice is strongly tax oriented. Of the five partners working with Virgil Pedersen—Bill Waina, Ron Burgess, Milt Clow, Joe Haney and Ray Horn—the latter three are tax specialists.

According to Milt Clow, the head tax partner, San Diego's tax work represents some 35 percent of the overall practice. "There are several reasons for

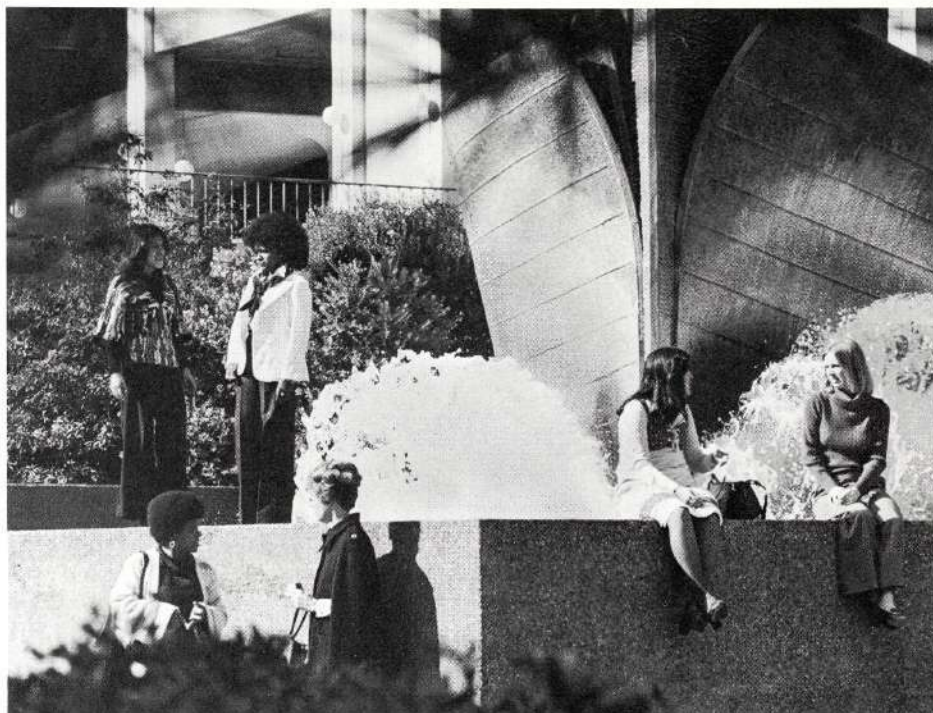
the fact that San Diego has always held either first or second place in the Firm in the proportion of tax to other work," Milt said. "For one, the office policy, which was established by Virgil when he headed up the tax department, is that we never turn away any tax inquiry by telling the individual calling that 'We can't do that' or 'That's not possible.' You often find that people aren't really asking the right questions. If we sit

down with them to talk it over, we can usually find an approach that's quite satisfactory. Sometimes it just means looking at a problem from a different perspective. The key, of course, is taking a positive position and establishing a relationship so that a question can be fully explored.

"Another influence on our tax practice is the lack of many very large industries here in San Diego. San Diego is not



H&S office personnel enjoy a luncheon break at the fountain in Community Concourse. Shown are Cindy Galvan (standing top l.), Roslyn Corzine (standing top r.), Bobbie Cooper (standing bottom l.), Norma Kowalsky (standing bottom r.), Christy Galvan (seated l.) and Jane Altmann (seated r.). Fountain sculpture represents prow of ship, reflecting San Diego's strong bond to the sea.



Spira-Loc air duct manufactured by University Industries is examined by (r. to l.) H&S partner Joe Haney; Richard B. Huntington, president of University Industries; R. Lee Huntington, chairman of the board; Bill Higgins, vice president—finance of UI; and H&S audit senior Charlie Hahn. University Industries is the seventh largest mechanical contractor in the United States and operates throughout the world.

a headquarters city. Larger organizations usually have their own internal tax departments and traditionally don't call on public accounting firms to provide these services. We have a very substantial tax-consulting practice because we have a very diversified clientele of companies big enough to require broad tax services but not so large that they have their own tax people or enough tax personnel to handle the volume of work required under today's complex requirements.

"For example, we have a very strong public utilities tax practice, and

Joe Haney is a recognized specialist in public utilities tax problems. We're also heavily involved in real estate tax planning and employee-plan work." (Milt is a member of an employee-plan group called the San Diego Pension Council, an organization composed of accountants, attorneys, certified life underwriters and investment advisers.)

Advantage in Recruiting

The office tax group, which includes the three partners, three managers, two seniors and five staff people, has proved an advantage in recruiting, Milt said. "Anyone who wants to specialize in tax work finds that if he or she joins our office they'll be working with three experienced partners and three experienced managers. They'll not only be exposed to a diversified clientele needing a range of tax services, but they'll be getting the personal guidance and help that only a tax group of some size can provide. We're not too big and not too small, and we function as a team; we rely on each other, and each of us can get assistance from the others when it is needed.

"I think our tax practice has the potential for considerable additional expansion. About the only limiting factor is the number of people we have," Milt said.

The San Diego audit group is most enthusiastic about the results of a program called the "SUPER" plan introduced recently. The name is an acronym for "scheduling using people effectively reassigned." According to audit manager Pen Wilson, who is responsible for its implementation, the plan is designed to have as much as 60 percent of an audit done during preliminary work, primarily during the months from September through December.

"The program originated in the H&S San Francisco office," Pen said, "and we adopted it last summer. We started by revising all our work programs beginning in mid-September for all jobs in excess of 200 hours. In simplest terms, the program identifies those procedures that can be done during the preliminary stage of our audit. When these are identified, individuals unassigned at that time are assigned to perform those procedures. What you do is transfer

Discussing production of subassembly PC (printed circuit) boards at Wavetek facility are (l. to r.) Robert A. Padgett, Wavetek treasurer and assistant secretary; Pen Wilson, H&S audit manager; William Clemens, Wavetek controller; K.C. Kinslow, H&S audit staff; and Wayne Kett, accounting manager for Wavetek and an H&S alumnus. Wavetek manufactures a broad line of sophisticated electronic equipment, including the T520 computer terminal, which functions as a credit information retrieval system for use in such locations as retail outlets and banks.



Robert J. Erra (c.), vice president for finance of the Scripps Clinic and Research Foundation, emphasizes a point in conversation concerning the health industry with Blair L. Sadler (r.), vice president and director of hospitals and clinics for Scripps, and H&S partner Bill Waina (l.). The Scripps facility is world famous as a leader in medical research and clinical care.

much of what had been considered 'normal' busy-season overtime to available time prior to the busy season."

Pen said that as of early February, overtime (as compared with the previous fiscal year) had been cut by 40 percent and that the program was working so well that even better results are anticipated next year.

Improvement in Morale

"Unassigned time through early February dropped about 60 percent as a result of the SUPER plan," he said, "but I think what may be even more important is how the plan has helped office morale. Our people are professionals in the truest sense of the word. They don't care to sit in the office with little to do. It's unproductive. Then, too, it's almost impossible to avoid a certain amount of annoyance at having to work weekends during the busy season while your friends are at home with their families."

"All our people understand that

some overtime is necessary—the nature of our profession makes it almost unavoidable," Pen pointed out. "However, the SUPER plan minimizes both the amount of unassigned time before the busy season and the amount of overtime during the busy season, so it helps morale both ways. Its benefits to the client are obvious."

Ron Burgess, who heads the office practice development and recruiting programs, said that a strong tax group is a definite plus in recruiting. "Our overall practice has been an important element in attracting good people," he said. "Of the eleven people we recently added, six have advanced degrees, including three with law degrees. With our audit practice involving many different types of clients, and a very solid tax practice, we can offer new people the best in exposure to the major elements of public accounting."

The office keeps in close touch with the outstanding local universities, as well as with top schools across the country. At San Diego State University, for example, H&S sponsors an annual \$500 scholarship, the H&S Award for Excellence in Accounting. The award winner, a student beginning his or her senior year, is named by a scholarship committee of the university.

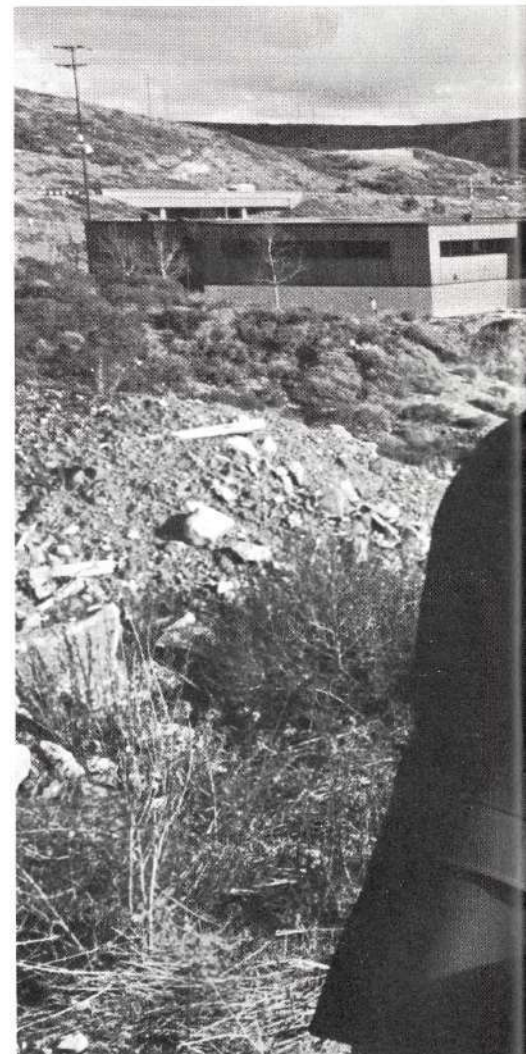
Three people presently with the office—tax manager Michael J. O'Leary, audit senior Mark J. MacNeill and tax

accountant Craig McLaughlin—were winners of the H&S award. Craig, who holds a law degree from the McGeorge School of Law in Sacramento, received the gold medal Elijah Watt Sells Award in the May 1974 AICPA Uniform CPA Examination for achieving the highest score in the country.

"But we recruit from leading schools everywhere in the United States," Ron said. "We feel it's important for perspective and to keep the overall office outlook balanced and cosmopolitan."

Close Ties With Schools

Ron Burgess, Virgil Pedersen and Pen Wilson meet regularly with the faculties at the local schools, particularly San Diego State, and Ron has been



asked to serve on a committee that will establish a chair in accounting at that university. The office also maintains relations with the local chapters of Beta Alpha Psi, including sponsoring an annual visit to the office for members.

Ron said the office has a continuing program to maintain its ties to the community's banking and legal groups.

"Virgil is very heavily involved in many community activities, of course," Ron pointed out, "and we encourage our people to join local civic, social, charitable and cultural organizations. We see it as a two-way street; what they do benefits the community, and it illustrates by example and performance the caliber of our people.

"We feel this effort is particularly

important here in San Diego because small business services has great potential for growth and we've really just touched the surface of that potential. We want to get in on the ground floor with those small businesses that show signs of future expansion. Having our people represented in community activities is an excellent way to meet those who own and run these businesses."

The San Diego office balances its training program with social and sports activities. A three-day accounting and tax seminar is held annually at San Diego Country Estates, a resort offering a complete range of recreational activities. The morning and early afternoon are devoted to training sessions, with groups divided according to experience.

The bulk of the afternoon is left free. Two hours of additional training are given in the evening to round out the program.

The coming of May is marked by the annual office dinner-dance, attended by all office personnel and their spouses, alumni and some retired H&S partners

On a hill overlooking the Sorrento Valley Industrial Center, Mona Trice, controller of Cal-Sorrento Limited, and Phil Palisoul (l.), general manager, discuss planned development of remaining area of center with H&S partner Joe Haney (r.) and tax accountant Dick Staiton (2nd r.). Cal-Sorrento is the developer of the major industrial park, located a short distance north of San Diego.





living in the area. Other events include an active schedule for the office golf, basketball and volleyball teams.

Much to Do, Much to See

One of the wonders of San Diego is the variety of things to do and see packed into a relatively concentrated area. In Balboa Park alone there are the Fine Arts Gallery, the Hall of Champions honoring outstanding San Diego athletes, the International Aerospace Hall of Fame, the Museum of Man, the Natural History Museum, the Reuben H. Fleet Space Theater and the world-famous San Diego Zoo. Other attractions of the park include a botanical garden, the Old Globe Theatre (modeled after the London theater of Shakespeare's time), the Photographic Arts Building and the Timken Art Gallery. In Mission Bay there is Sea

World, and in nearby La Jolla there is the Scripps Aquarium.

There are almost seventy golf courses in San Diego County, including an eighteen-hole course and a nine-hole course right in Balboa Park. Tennis buffs have a choice of 1,200 public and private courts in the county, with 98 courts—70 of which are lighted for night use—maintained by the city's Parks and Recreation Department.

If you like water sports, there is sailing, sport fishing, surfing, water skiing or just plain swimming. Camping facilities are available in the county, state and national parks nearby, as well as in many private campgrounds. Lovers of spectator sports can sit back and watch the San Diego Padres baseball team, the Chargers football team, the pro-coed Breakers volleyball team, and the hockey Mariners.

Karen Georgatos and Craig McLaughlin (l.), of the H&S tax staff, get an insider's view of the economics of the tuna fishing industry from Tom Crivello (c.), captain of the Marla Marie (in background). San Diego's Embarcadero, or downtown wharf area, serves as headquarters for the city's tuna fleet, the largest in the country. Members of the crew are repairing the large purse seine nets used in tuna fishing.

Those with an interest in improving the breed can visit nearby Del Mar Race Track. And when you want something a bit more exotic, Mexico lies a half-hour away.

And beginning in December, from the highlands of Point Loma, you can watch the gray whales passing on their annual migration south from the Arctic Ocean to the quiet lagoons of Baja California. □